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DE RUEHCG #0057/01 0570210  
ZNR UUUUU ZZH  
R 260210Z FEB 09  
FM AMCONSUL CHENNAI  
TO RUEHC/SECSTATE WASHDC 2097  
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

UNCLAS SECTION 01 OF 02 CHENNAI 000057

SENSITIVE

SIPDIS

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [PTER](#) [PHUM](#) [ECON](#) [IN](#) [CE](#)

SUBJECT: SRI LANKA PERMEATES VISIT TO CHENNAI

REF: Chennai 038

11. (SBU) Summary: Issues related to the war in Sri Lanka dominated SCA/INS Acting Director Diane Kelly's February 3 to 5 visit to Chennai. Local concern for the civilians trapped in the fighting was a constant theme as she visited an NGO that supports refugees from the war and had lunch with Sri Lanka's Chennai-based Deputy High Commissioner and other prominent local figures. Kelly also heard concerns about the economic downturn at a Sri Lankan-owned textile manufacturer and at one of India's major information technology companies. End Summary.

Sri Lanka on Everyone's Mind  
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12. (SBU) Talk of the war in Sri Lanka dominated a lunch meeting hosted by the Consul General. P.M. Amza, Sri Lanka's Deputy High Commissioner in Chennai (and a Tamil) characterized Tamil Nadu Chief Minister Karunanidhi's comments criticizing the LTTE as a "welcome development." He also reiterated press reports that the government of Sri Lanka was allowing free passage of Tamils out of the conflict zone and estimated that the number of Tamil civilians still in the zone at approximately 100,000 (despite media reports of up to 250,000). Kelly pressed Amza firmly on the Sri Lankan government's human rights record, emphasizing that one reason more civilians were not leaving the conflict zone was fear of being targeted as LTTE sympathizers. Other guests, including a local journalist for one of India's major dailies, engaged Amza in an extended -- and often heated -- discussion of the Sri Lankan government's policies and intentions.

Refugees a Major Concern  
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13. (SBU) Kelly also paid a visit on the local offices of the Organisation for Eelam Refugees Rehabilitation (OfERR), an NGO working with Sri Lankan Tamil refugees. OfERR's director, Chandrahasan, explained that there are over 78,000 Tamil refugees from Sri Lanka living in 119 different camps in Tamil Nadu. He decried both the lack of credible Tamil leadership in Sri Lanka and the Sri Lankan government's "Sinhalese chauvinism."

14. (SBU) Chandrahasan, a refugee himself, suggested that the USG continue working to convince the Sri Lankan government to provide neutral territory for internally displaced Tamils monitored by international NGOs. He also suggested that U.S. military advisors assist the Sri Lankan government in the transition from military to civilian rule in the northern areas of the island recently won back from the Liberation Tigers of Tamil Eelam (LTTE). He believes that a federal ruling structure with a Tamil linguistic state in the north as envisioned by the Indo-Sri Lankan Agreement of 1987 is the key to a political solution.

The Economic Downturn Takes Hold  
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15. (SBU) Kelly also visited a textile manufacturer that produces mainly for the U.S. market. The facility, a division of Sri

Lankan-owned MAS Holdings, runs a series of modern production lines that manufacture undergarments for retailers like Victoria's Secret and other internationally known brands. One executive explained that a key reason why MAS decided to open a major facility in Tamil Nadu was concern that political instability in Sri Lanka would disrupt production. He also explained that the economic downturn, particularly in the company's key markets in the United States and Europe, was forcing it to think of creative ways to avoid layoffs. In addition to implementing more effective just-in-time manufacturing techniques, he said that the company was also looking to expand its marketing efforts beyond its traditional U.S. and European markets, as well as on more price-sensitive (i.e., less prestigious) retailers.

IT Sector also Feeling the Pinch

16. (SBU) To get a taste of South India's vaunted information technology (IT) sector, Kelly visited Cognizant, a U.S.-based company with a major presence in India. A Cognizant executive told Kelly that the company is definitely feeling the pinch of the worldwide economic slowdown -- particularly in the United States -- but it is still forecasting positive revenue growth for 2009, albeit far, far less than the 30 percent-plus growth that the company has enjoyed for the past several years. He also explained that Cognizant, like other IT companies, is seeing a significant slowdown in new orders as corporate clients reduce and/or delay capital expenditure on technology development. He was optimistic about the longer term future, however, noting that companies like Cognizant ultimately save their clients money, making them attractive business partners in these difficult economic times.

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Comment

17. (SBU) Kelly's visit to Chennai turned out to be more Sri Lanka-focused than we had planned, due to the increasing salience of the issue as a topic of everyday conversation among our local contacts. The plight of Sri Lanka's Tamil minority continues to be a major cause celebre in Tamil Nadu (ref A), and figures to become even more prominent in the coming weeks as Tamil Nadu's politicians all vie to define positions that Indian voters will support in the run up to national elections.

KAPLAN